

CITY OF VINTON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020

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City of Vinton

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bud Maynard, Jr.	Mayor	January 1, 2020
F. Ronald Elwick	Council Member	January 1, 2020
Nathan Hesson	Council Member	January 1, 2020
Tamara Stark	Council Member	January 1, 2020
Ron Hessenius	Council Member	January 1, 2022
Brian Parr	Council Member	January 1, 2022
Nate Edwards	Council Member	January 1, 2022
Cindy Michael	City Clerk	Indefinite
Chris Ward	City Administrator	Indefinite
Robert B. Fischer Law Firm	Attorney	Indefinite

(After January 2020)

Bud Maynard, Jr.	Mayor	January 1, 2022
Andrew Elwick *	Council Member	January 1, 2024
Nathan Hesson	Council Member	January 1, 2024
Tamara Stark	Council Member	January 1, 2024
Ron Hessenius	Council Member	January 1, 2022
Brian Parr	Council Member	January 1, 2022
Nate Edwards	Council Member	January 1, 2022
Cindy Michael	City Clerk	Indefinite
Chris Ward	City Administrator	Indefinite
Robert B. Fischer Law Firm	Attorney	Indefinite

* - Council seat was filled by special election in March 2020.

City of Vinton



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Vinton, Iowa, (City) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the City's legally separate component unit. Accounting principles applicable to the cash basis of accounting require financial data for this component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and the cash basis balances of the aggregate discretely presented component unit has not been determined.

Adverse Opinion on Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of the City as of June 30, 2020, or the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on the financial statement of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. An adverse opinion was expressed on the financial statements of the aggregate discretely presented component unit. The financial statements for the six years ended June 30, 2016 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph above, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 26 through 30 has not been subjected to the auditing procedures applied in the audit of the basic statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 12, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Faller, Kincheloe & Co., PLC", is written in a cursive style.

FALLER, KINCHELOE & CO., PLC

July 12, 2021

Basic Financial Statements

City of Vinton

Exhibit A

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 1,236,782	42,651	63,153	-	(1,130,978)	-	(1,130,978)
Public works	977,253	3,900	715,758	-	(257,595)	-	(257,595)
Health and social services	30,682	-	-	-	(30,682)	-	(30,682)
Culture and recreation	1,162,410	101,794	234,328	-	(826,288)	-	(826,288)
Community and economic development	239,427	-	-	-	(239,427)	-	(239,427)
General government	504,904	56,441	100,188	-	(348,275)	-	(348,275)
Debt service	559,202	5,040	-	-	(554,162)	-	(554,162)
Capital projects	253,823	-	-	625,360	371,537	-	371,537
Total governmental activities	4,964,483	209,826	1,113,427	625,360	(3,015,870)	-	(3,015,870)
Business type activities:							
Water	535,150	601,000	16,930	-	-	82,780	82,780
Sewer	588,380	495,171	-	-	-	(93,209)	(93,209)
Landfill	550,790	947,266	-	-	-	396,476	396,476
Airport	486,183	139,276	10,910	364,508	-	28,511	28,511
Meter deposits	46,235	59,856	-	-	-	13,621	13,621
Total business type activities	2,206,738	2,242,569	27,840	364,508	-	428,179	428,179
Total	\$ 7,171,221	2,452,395	1,141,267	989,868	(3,015,870)	428,179	(2,587,691)
General Receipts and Transfers:							
Property tax and other city tax levied for:							
General purposes					2,077,294	-	2,077,294
Debt service					547,726	-	547,726
Tax increment financing					58,679	-	58,679
Hotel motel tax					36,481	-	36,481
Local option sales tax					426,851	-	426,851
Payment in lieu of tax					84,000	-	84,000
Commercial/industrial tax replacement					70,068	-	70,068
Unrestricted interest on investments					26,498	5,392	31,890
Good faith deposit					40,700	-	40,700
Sale of capital assets					580	-	580
Transfers					180,000	(180,000)	-
Total general receipts and transfers					3,548,877	(174,608)	3,374,269
Change in cash basis net position					533,007	253,571	786,578
Cash basis net position beginning of year					3,400,845	1,196,364	4,597,209
Cash basis net position end of year					\$ 3,933,852	1,449,935	5,383,787
Cash Basis Net Position							
Restricted:							
Nonspendable					\$ 100,000	-	100,000
Expendable:							
Streets					338,415	-	338,415
Urban renewal purposes					1,227	-	1,227
Capital projects					40,700	-	40,700
Debt service					106,839	6,458	113,297
Other purposes					2,123,818	122,364	2,246,182
Unrestricted					1,222,853	1,321,113	2,543,966
Total cash basis net position					\$ 3,933,852	1,449,935	5,383,787

See notes to financial statements.

City of Vinton

Exhibit B

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue						Total
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits	Louise Gilchrist Endowment	Debt Service	
Receipts:							
Property tax	\$1,481,305	-	-	595,989	-	547,726	2,625,020
Tax increment financing	-	-	-	-	-	-	58,679
Other city tax	36,481	-	426,851	-	-	-	463,332
Licenses and permits	66,565	-	-	-	-	-	66,565
Use of money and property	29,318	-	10,753	-	-	1,603	43,971
Intergovernmental	207,998	675,726	-	7,976	-	7,305	1,024,365
Charges for service	68,480	-	-	-	-	-	68,480
Special assessments	-	-	-	-	-	5,040	5,040
Miscellaneous	380,728	-	-	-	500,000	-	920,758
Total receipts	2,270,875	675,726	437,604	603,965	500,000	561,674	5,276,210
Disbursements:							
Operating:							
Public safety	1,190,540	-	-	-	-	-	1,236,782
Public works	222,386	754,867	-	-	-	-	977,253
Health and social services	10,782	-	19,900	-	-	-	30,682
Culture and recreation	1,076,906	-	85,504	-	-	-	1,162,410
Community and economic development	219,527	-	19,900	-	-	-	239,427
General government	504,904	-	-	-	-	-	504,904
Debt service	-	-	-	-	-	559,202	559,202
Capital projects	-	-	-	-	-	-	253,823
Total disbursements	3,225,045	754,867	125,304	-	-	559,202	4,964,483
Excess (deficiency) of receipts over (under) disbursements	(954,170)	(79,141)	312,300	603,965	500,000	2,472	311,727
Other financing sources (uses):							
Good faith deposit	-	-	-	-	-	-	40,700
Sale of capital assets	580	-	-	-	-	-	580
Transfers in	813,865	-	-	-	-	99,500	973,008
Transfers out	(10,000)	-	(119,400)	(603,965)	-	-	(793,008)
Total other financing sources (uses)	804,445	-	(119,400)	(603,965)	-	99,500	221,280
Change in cash balances	(149,725)	(79,141)	192,900	-	500,000	101,972	533,007
Cash balances beginning of year	1,387,666	417,556	1,038,563	-	-	4,867	3,400,845
Cash balances end of year	\$1,237,941	338,415	1,231,463	-	500,000	106,839	3,933,852
Cash Basis Fund Balances							
Nonspendable	\$ -	-	-	-	-	-	100,000
Restricted for:							
Streets	-	338,415	-	-	-	-	338,415
Urban renewal purposes	-	-	-	-	-	1,227	1,227
Capital projects	-	-	-	-	-	40,700	40,700
Debt service	-	-	-	-	-	106,839	106,839
Other purposes	19,261	-	1,231,463	-	500,000	-	2,123,818
Assigned	593,097	-	-	-	-	-	597,270
Unassigned	625,583	-	-	-	-	-	625,583
Total cash basis fund balances	\$1,237,941	338,415	1,231,463	-	500,000	106,839	3,933,852

See notes to financial statements.

City of Vinton

Exhibit C

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2020

	Enterprise					Total
	Water	Sewer	Landfill	Airport	Nonmajor - Meter Deposits	
Operating receipts:						
Use of money and property	\$ 17,120	-	6,240	49,039	-	72,399
Charges for service	583,880	495,171	941,026	90,237	-	2,110,314
Miscellaneous	16,930	-	-	10,910	59,856	87,696
Total operating receipts	617,930	495,171	947,266	150,186	59,856	2,270,409
Operating disbursements:						
Business type activities	532,922	541,890	550,790	187,247	46,235	1,859,084
Total operating disbursements	532,922	541,890	550,790	187,247	46,235	1,859,084
Excess (deficiency) of operating receipts over (under) operating disbursements	85,008	(46,719)	396,476	(37,061)	13,621	411,325
Non-operating receipts (disbursements):						
Intergovernmental	-	-	-	364,508	-	364,508
Interest on investments	2,160	3,232	-	-	-	5,392
Debt service	(2,228)	-	-	-	-	(2,228)
Capital projects	-	(46,490)	-	(298,936)	-	(345,426)
Net non-operating receipts (disbursements)	(68)	(43,258)	-	65,572	-	22,246
Excess (deficiency) of receipts over (under) disbursements	84,940	(89,977)	396,476	28,511	13,621	433,571
Other financing sources (uses):						
Transfers in	-	-	-	10,000	-	10,000
Transfers out	-	-	(190,000)	-	-	(190,000)
Total other financing sources (uses)	-	-	(190,000)	10,000	-	(180,000)
Change in cash balances	84,940	(89,977)	206,476	38,511	13,621	253,571
Cash balances beginning of year	240,930	383,264	527,580	(64,153)	108,743	1,196,364
Cash balances end of year	\$ 325,870	293,287	734,056	(25,642)	122,364	1,449,935
Cash Basis Fund Balances						
Restricted for:						
Debt service	\$ 6,458	-	-	-	-	6,458
Meter deposits	-	-	-	-	122,364	122,364
Unrestricted	319,412	293,287	734,056	(25,642)	-	1,321,113
Total cash basis fund balances	\$ 325,870	293,287	734,056	(25,642)	122,364	1,449,935

See notes to financial statements.

City of Vinton

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Vinton (City) is a political subdivision of the State of Iowa located in Benton County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general governmental services. The City also provides water, sewer, airport and landfill services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Vinton and its blended component unit. The blended component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Vinton Fireman's Association (Association) is an entity which is legally separate from the City, but is so intertwined with the City it is, in substance, the same as the City. The Vinton Fireman's Association (Association) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of supporting the Vinton Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

The financial statements present the City of Vinton and exclude the City's discretely presented component unit. The discretely presented component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Discretely Presented Component Unit

The Vinton Municipal Electric Utility (Utility) was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The Utility is governed by a five-member board appointed by the Mayor and approved by the City Council. The Utilities' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Utilities administrative office.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Benton County Emergency Management Commission, Benton County Enhancement Committee, Benton County Joint E911 Service Board, Benton County Landfill Commission, Heartland Iowa Area Safety and Support Organization, North Benton Ambulance Board, Vinton Community Foundation Board, Vinton Unlimited Board, and Virginia Gay Hospital Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax receipts and related costs authorized by the local option sales tax resolution.

The Employee Benefits Fund is utilized to account for property tax and other receipts to be used for the payment of employee benefits.

The Louise Gilchrist Endowment Fund is used to account for the donations to the endowment fund.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Landfill Fund accounts for the City's solid waste collection and disposal system.

The Enterprise, Airport Fund accounts for the operation and maintenance of the City's airport operations.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) **Long-term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2020.

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$1,880,000	-	490,000	1,390,000	495,000
Good Faith Deposit	-	40,700	-	40,700	-
Direct Borrowings:					
General Obligation Note	33,000	-	33,000	-	-
Direct Borrowings - Capital Leases	-	34,403	12,131	22,272	10,817
Governmental activities total	<u>\$1,913,000</u>	<u>75,103</u>	<u>535,131</u>	<u>1,452,972</u>	<u>505,817</u>
Business type activities:					
Direct Borrowings:					
Water Revenue Bonds	\$ 7,000	-	2,000	5,000	2,000
Business-type activities total	<u>\$ 7,000</u>	<u>-</u>	<u>2,000</u>	<u>5,000</u>	<u>2,000</u>

General Obligation Bonds

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

Year Ending June 30,	Street Improvement and Refunding Series 2012			Corporate Purpose Series 2013		
	Issued June 26, 2012			Issued March 11, 2013		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2021	2.05%	\$ 85,000	3,485	1.50%	\$ 205,000	10,730
2022	2.05%	85,000	1,743	1.70%	210,000	7,655
2023		-	-	1.90%	215,000	4,085
		<u>\$ 170,000</u>	<u>5,228</u>		<u>\$ 630,000</u>	<u>22,470</u>
Year Ending June 30,	Refunding Series 2016			Total		
	Issued November 21, 2016					
	Interest					
	Rates	Principal	Interest	Principal	Interest	Total
2021	2.00%	\$ 205,000	11,800	495,000	26,015	521,015
2022	2.00%	180,000	7,700	475,000	17,098	492,098
2023	2.00%	205,000	4,100	420,000	8,185	428,185
		<u>\$ 590,000</u>	<u>23,600</u>	<u>1,390,000</u>	<u>51,298</u>	<u>1,441,298</u>

On June 26, 2012, the City issued \$985,000 of general obligation street improvement and refunding bonds with interest rates ranging from 0.80% to 2.05% per annum. The bonds were issued to construct street improvements, refund the City's outstanding Water Revenue and Improvement Bonds, Series 2006, and to pay costs of issuance of the Bonds. During the year ended June 30, 2020, the City paid \$85,000 of principal and \$4,888 of interest on the bonds.

On March 11, 2013, the City issued \$2,000,000 of general obligation corporate purpose bonds with interest rates ranging from 0.40% to 1.90% per annum. The bonds were issued to pay the cost of constructing street, curb and gutter, sanitary sewer, and waterworks improvements, to pay the cost of remediation, restoration, repair, cleanup, replacement and improvement of property, buildings, equipment and public facilities damaged by a disaster, and to pay the costs of issuance of the bonds. During the year ended June 30, 2020, the City paid \$205,000 of principal and \$13,395 of interest on the bonds.

On November 21, 2016, the City issued \$1,445,000 of general obligation refunding bonds with an interest rate of 2.00% per annum. The bonds were issued to currently refund the City's outstanding General Obligation Corporate Purpose and Refunding Bonds, Series, 2006, and to pay costs of issuance of the Bonds. During the year ended June 30, 2020, the City paid \$200,000 of principal and \$15,800 of interest on the bonds.

Good Faith Deposit – General Obligation Corporate Purpose Bonds, Series 2020A

In July 2020, the City issued \$4,070,000 of general obligation corporate purpose bonds, Series 2020A. The bonds were issued to pay the costs of infrastructure improvements. The bonds bear interest at a rate of 2.00% per annum. On June 30, 2020, the City received a good faith deposit in the amount of \$40,700. However, the City did not receive the remainder of general obligation corporate purpose bond proceeds until July 15, 2020.

Direct Borrowings – General Obligation Note

On July 8, 2010, the City issued a \$330,000 general obligation street equipment note with an interest rate of 2.50% per annum. The note was used to purchase street related equipment, and the money was borrowed from Vinton Municipal Electric Utilities. During the year ended June 30, 2020, principal and interest paid on the note totaled \$33,619. The principal balance on this note at June 30, 2020 was \$0.

Direct Borrowings - Capital Leases

A summary of the City's June 30, 2020 direct borrowings capital leases payable is follows:

Year Ended June 30,	Amount
2021	\$ 12,131
2022	12,131
Minimum Lease Payments	24,262
Less Amount Representing Interest	(1,990)
Present Value of Minimum Lease Payments	<u>\$ 22,272</u>

On February 7, 2020, the City entered into a lease-purchase agreement for \$34,403 to lease purchase a police vehicle. The lease term is for three years, with interest at 5.90% per annum. The lease is collateralized by the vehicle. For the year ended June 30, 2020, principal paid on the lease totaled \$12,131. The principal balance at June 30, 2020 was \$22,272.

Direct Borrowings – Water Revenue Bonds:

A summary of the City's June 30, 2020 direct borrowings water revenue bonds payable are as follows:

Year Ending June 30,	Water Revenue Bonds Series 2002			Total		
	Issued October 8, 2002					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	3.00%	\$ 2,000	150	2,000	150	2,150
2022	3.00%	3,000	60	3,000	60	3,060
		<u>\$ 5,000</u>	<u>210</u>	<u>5,000</u>	<u>210</u>	<u>5,210</u>

Water Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$40,000 in water revenue bonds issued in October 2002. Proceeds from the bonds provided financing of the construction of water facilities and to refund the Series 1997 water revenue bonds. The bonds are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payment on the bonds are expected to require less than 3% of net receipts. The total principal and interest remaining to be paid on the bonds is \$5,210. For the current year, principal and interest paid and total customer net receipts were \$2,210 and \$85,008, respectively.

The resolutions providing for the issuance of the wastewater revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the Utility and the bond holder holds a lien on the future earnings of the funds.

- (b) The City shall establish a rate to be charged to customers in order to produce gross revenues at least sufficient to pay expenses of the operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding bonds and notes due in the fiscal year.
- (c) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of the installment of principal next due shall be made to a water revenue bond and interest sinking account. Monies in this fund are to be used solely for the purpose of paying principal and interest on the bonds.
- (d) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to pay for extraordinary repairs or replacements to the system, may be used to pay or redeem any bonds, and then can be used for any lawful purpose.

Loan

On June 4, 2020, the City entered into a loan agreement with Iowa Economic Development Authority for \$1,000,000. No monies were borrowed from this loan in fiscal year 2020. This loan will be repaid once monies are borrowed; however, this loan will be partially or entirely forgivable if the City complies with the terms of the forgiveness.

(4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$251,674.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$1,454,403 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0251164%, which was an increase of 0.000037% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$342,896, \$302,369 and \$378,155, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.

Wage growth
(effective June 30, 2017)

3.25% per annum, based on 2.60% inflation
and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 2,975,208	1,454,403	179,256

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) **Other Postemployment Benefits (OPEB)**

The City has two medical/prescription benefit plans. Details of these two plans are as follows.

- **Plan Description** – The City operates a single-employer health benefit plan through Line Construction Benefit Fund which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$90,394 and plan members eligible for benefits contributed \$46,345 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>7</u>
Total	<u><u>7</u></u>

- The City also operates a medical/prescription benefits plan through Wellmark. This benefit plan is age based, and retirees under age 65 pay their age based premium. As a result, there are no implicit subsidies for the benefits offered through Wellmark.

(6) **Lease Income**

The City is leasing antenna space on the water tower and City properties to communication providers. The length of the lease terms range from month-to-month to five years with options to extend for pre-defined additional years at the option of the tenants. Some of the lease terms contain provisions for monthly rent amounts and increases in rents. The City received \$17,120 from tenants in fiscal year 2020 from these leases.

The City is also leasing hangar space at the airport to various individuals and companies as well as farm ground at the airport. Most of these leases are on a month-to-month or year-to-year basis. However, one lease which began on February 1, 2018 is for 20 years. The City received \$37,189 from tenants in fiscal year 2020 from these leases.

(7) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, retirement or death. Vacation must be used within 12 months of the year earned. Payment for unused vacation is made at employee separation; otherwise vacation pay is considered a continuation of normal salary. Permanent full-time employees earn one day of sick leave for each month of employment with a maximum accumulation of 120 days.

Payouts of sick pay are made for time off due to illness or injury. At employee retirement or death, one-half of the accumulated sick pay is paid to the employee. If the employee is younger than age 63 ½ at retirement, disability or death, the maximum payout is limited to 60 days. These accumulations are not recognized as disbursements by the City until used or paid. Any employee hired after July 1, 2011 is not eligible for this payout unless provided under collective bargaining agreement. The City's approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2020, primarily relating the General Fund and the Enterprise, Electric Fund, is as follows:

Type of Benefit	Amount
Compensatory time	\$ 19,131
Vacation	63,614
Sick leave	<u>365,320</u>
Total	<u>\$ 448,065</u>

The liability has been computed based on rates of pay in effect at June 30, 2020.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 19,900
	Employee Benefits	603,965
	Enterprise:	
	Landfill	<u>190,000</u>
		<u>813,865</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	<u>99,500</u>
Capital Projects	Special Revenue:	
	Urban Renewal Tax Increment	<u>59,643</u>
Enterprise: Airport	General	<u>10,000</u>
Total		<u>\$ 983,008</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,497 during the year ended June 30, 2020.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Deficit Balance

The Enterprise, Airport Fund had a deficit balance of \$25,642 at June 30, 2020. The deficit balance was the result of spending more in this fund than the related receipts received by this fund. This deficit will be eliminated through the collection of future charges for service receipts.

(12) Contingencies

The Vinton Fireman's Association (Association) has not filed information returns with the Internal Revenue Service (IRS) in several years. Because the Association has not filed information returns in several years, the IRS could either assess a penalty amount of \$20 per day for every day the information returns are delinquent, and/or revoke the non-profit status of the Association. At the present time, the outcome of these matters is uncertain and the amount of potential liability, if any, cannot be reasonably estimated.

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(13) Commitments

The City has entered into various agreements for public works projects. As of June 30, 2020, approximately \$249,000 remains to be paid on these projects. These costs will be paid for as work progresses. It is anticipated that these projects will be completed in fiscal year 2021. The City intends to pay for these costs from existing cash reserves.

In fiscal year 2020, the City received a \$100,000 Community Catalyst and Building Remediation Grant from the Iowa Economic Development Authority. It is anticipated the City will receive the monies from this grant in fiscal year 2021.

In fiscal year 2020, the City received a forgivable loan and a grant from the Iowa Economic Development Authority (IEDA) to demolish and rehabilitate the Iowa Braille and Sight Saving School in the City. As the City incurs costs on this project, the IEDA will reimburse the City funds from its forgivable loan and grant. No monies were received from this loan and grant in fiscal year 2020.

In fiscal year 2020 the City entered into two operating leases for office equipment. The payment of these leases will begin when the equipment is received by the City in fiscal year 2021. These two operating leases will cost the City \$336 per month for 60 months.

(14) Fund Balance

The City's assigned fund balance in the General Fund as of June 30, 2020 consists of the following:

Purpose	Amount
Fire department	\$ 200,929
Unemployment	41,000
Park	189,268
Library	142,893
Police department	19,007
Total	<u>\$ 593,097</u>

(15) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Vinton, remains uncertain. To date, the outbreak has not created a material disruption to the operations of the City of Vinton. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonable estimate the potential impact to the City of Vinton's operations and finances.

(16) Subsequent Events

The City has evaluated all subsequent events through July 12, 2021, the date the financial statements were available to be issued.

In fiscal year 2021, the City received approximately \$179,000 from the US Government in relation to the CARES Act. The CARES Act funds were paid to reimburse the City for additional costs incurred as a result of the COVID-19 pandemic.

In July 2020, the City issued \$4,070,000 of general obligation corporate purpose bonds, Series 2020A. The bonds were issued to pay the costs of infrastructure improvements and the acquisition of equipment for the street department. The bonds bear interest at a rate of 2.00% per annum. On June 25, 2020, the City received a good faith deposit in the amount of \$40,700. However, the City did not receive the remainder of general obligation corporate purpose bond proceeds until July 2020.

(17) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Other Information

City of Vinton
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Unaudited Component Unit Vinton Municipal Electric Utility Actual	Total	Budgeted Amounts		Final to Total Variance
						Original	Final	
Receipts:								
Property tax	\$ 2,625,020	-	-	-	2,625,020	2,653,128	2,653,128	(28,108)
Tax increment financing	58,679	-	-	-	58,679	54,500	54,500	4,179
Other city tax	463,332	-	-	-	463,332	411,438	411,438	51,894
Licenses and permits	66,565	-	-	-	66,565	46,571	46,571	19,994
Use of money and property	43,971	77,791	10	122,226	243,978	109,164	109,164	134,814
Intergovernmental	1,024,365	364,508	-	-	1,388,873	1,551,036	1,551,036	(162,163)
Charges for service	68,480	2,110,314	-	4,251,501	6,430,295	8,097,798	8,097,798	(1,667,503)
Special assessments	5,040	-	-	-	5,040	-	-	5,040
Miscellaneous	920,758	87,696	37,892	99,664	1,070,226	37,000	37,000	1,033,226
Total receipts	5,276,210	2,640,309	37,902	4,473,391	12,352,008	12,960,635	12,960,635	(608,627)
Disbursements:								
Public safety	1,236,782	-	19,111	-	1,217,671	1,368,581	1,368,581	150,910
Public works	977,253	-	-	-	977,253	1,571,720	1,571,720	594,467
Health and social services	30,682	-	-	-	30,682	39,495	39,495	8,813
Culture and recreation	1,162,410	-	-	-	1,162,410	1,167,033	1,167,033	4,623
Community and economic development	239,427	-	-	-	239,427	95,650	245,650	6,223
General government	504,904	-	-	-	504,904	526,537	526,537	21,633
Debt service	559,202	-	-	-	559,202	559,202	809,202	250,000
Capital projects	253,823	-	-	-	253,823	340,500	340,500	86,677
Business type activities	-	2,206,738	-	12,232,480	14,439,218	8,007,597	18,769,429	4,330,211
Total disbursements	4,964,483	2,206,738	19,111	12,232,480	19,384,590	13,676,315	24,838,147	5,453,557
Excess (deficiency) of receipts over (under) disbursements	311,727	433,571	18,791	(7,759,089)	(7,032,582)	(715,680)	(11,877,512)	4,844,930
Other financing sources, net	221,280	(180,000)	-	11,081,092	11,122,372	-	10,661,832	460,540
Change in fund balances	533,007	253,571	18,791	3,322,003	4,089,790	(715,680)	(1,215,680)	5,305,470
Balances beginning of year	3,400,845	1,196,364	185,965	7,175,981	11,587,225	10,392,347	10,392,347	1,194,878
Balances end of year	\$ 3,933,852	1,449,935	204,756	10,497,984	15,677,015	9,676,667	9,176,667	6,500,348

See accompanying independent auditor's report.

City of Vinton

Notes to Other Information - Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$11,161,832. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted.

City of Vinton

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*
(In Thousands)

Other Information

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.025116%	0.025079%	0.025548%	0.023820%	0.000235%	0.021613%
City's proportionate share of the net pension liability	\$ 1,454	1,590	1,702	1,499	869	875
City's covered payroll	\$ 2,555	2,419	2,382	2,145	1,780	2,063
City's proportionate share of the net pension liability as a percentage of its covered payroll	56.91%	65.73%	71.45%	69.85%	48.82%	42.41%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year.

See accompanying independent auditor's report.

City of Vinton

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 252	246	221	217	146	142	135	132	165	145
Contributions in relation to the statutorily required contribution	(252)	(246)	(221)	(217)	(146)	(142)	(135)	(132)	(165)	(145)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 2,368	2,555	2,419	2,382	1,780	1,590	1,512	1,522	2,045	2,086
Contributions as a percentage of covered payroll	9.55%	9.63%	9.14%	9.11%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor's report.

City of Vinton

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of Vinton

Schedule 1

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue			Permanent		Total
	Urban Renewal Tax Increment	Police	Vinton Fireman's Association	Capital Projects	Tobin Trust	
Receipts:						
Tax increment financing	\$ 58,679	-	-	-	-	58,679
Use of money and property	-	1,595	10	692	-	2,297
Intergovernmental	-	-	-	125,360	-	125,360
Miscellaneous	-	2,138	37,892	-	-	40,030
Total receipts	58,679	3,733	37,902	126,052	-	226,366
Disbursements:						
Operating:						
Public safety	-	27,131	19,111	-	-	46,242
Capital projects	-	-	-	253,823	-	253,823
Total disbursements	-	27,131	19,111	253,823	-	300,065
Excess (deficiency) of receipts over (under) disbursements	58,679	(23,398)	18,791	(127,771)	-	(73,699)
Other financing sources (uses):						
Good faith deposit	-	-	-	40,700	-	40,700
Transfers in	-	-	-	59,643	-	59,643
Transfers out	(59,643)	-	-	-	-	(59,643)
Total other financing sources (uses)	(59,643)	-	-	100,343	-	40,700
Change in cash balances	(964)	(23,398)	18,791	(27,428)	-	(32,999)
Cash balances beginning of year	2,191	191,736	185,965	72,301	100,000	552,193
Cash balances end of year	\$ 1,227	168,338	204,756	44,873	100,000	519,194
Cash Basis Fund Balances						
Nonspendable	\$ -	-	-	-	100,000	100,000
Restricted for:						
Urban renewal purposes	1,227	-	-	-	-	1,227
Capital projects	-	-	-	40,700	-	40,700
Other purposes	-	168,338	204,756	-	-	373,094
Assigned	-	-	-	4,173	-	4,173
Total cash basis fund balances	\$ 1,227	168,338	204,756	44,873	100,000	519,194

See accompanying independent auditor's report.

City of Vinton
Schedule of Indebtedness
Year ended June 30, 2020

Schedule 2

	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes:									
Street Improvement and Refunding Series 2012	June 26, 2012	0.80-2.05%	\$ 985,000	255,000	-	85,000	170,000	4,888	-
Corporate Purpose Series 2013	March 11, 2013	0.40-1.90%	2,000,000	835,000	-	205,000	630,000	13,395	-
Refunding Series 2016	November 21, 2016	2.00%	1,445,000	790,000	-	200,000	590,000	15,800	-
Corporate Purpose Series 2020A*	July 15, 2020	2.00%	4,070,000	-	40,700	-	40,700	-	-
Total				\$ 1,880,000	40,700	490,000	1,430,700	34,083	-
Water Revenue Bonds:									
Water	October 8, 2002	3.00%	\$ 40,000	7,000	-	2,000	5,000	210	-
Vinton Municipal Electric Utility (Component Unit):									
Street Department Equipment	July 8, 2010	2.50%	\$ 330,000	33,000	-	33,000	-	619	-
Loan:									
Iowa Economic Development Authority	June 4, 2020	0.00%	\$ 1,000,000	-	-	-	-	-	-
Lease Purchase Agreement:									
Equipment	February 7, 2020	5.90%	\$ 34,403	-	34,403	12,131	22,272	-	-

* - The City issued \$4,070,000 general obligation corporate purpose bonds, series 2020A on July 15, 2020. The City received a good faith deposit of \$40,700 in June 2020, with the remaining balance of funds received on July 15, 2020.

See accompanying independent auditor's report.

City of Vinton

Schedule 3

Bond and Note Maturities

June 30, 2020

Year Ending June 30,	General Obligation Bonds and Notes						
	Street Improvement and Refunding Series 2012		Corporate Purpose				
			Series 2013		Refunding Series 2016		
	Issued June 26, 2012		Issued March 11, 2013		Issued November 21, 2016		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2021	2.05%	\$ 85,000	1.50%	\$ 205,000	2.00%	\$ 205,000	495,000
2022	2.05%	85,000	1.70%	210,000	2.00%	180,000	475,000
2023	-	-	1.90%	215,000	2.00%	205,000	420,000
		<u>\$ 170,000</u>		<u>\$ 630,000</u>		<u>\$ 590,000</u>	<u>1,390,000</u>

Year Ending June 30,	Revenue Bonds		
	Water		
	Issued October 8, 2002		
	Interest Rates	Amount	Total
2021	3.00%	\$ 2,000	2,000
2022	3.00%	3,000	3,000
		<u>\$ 5,000</u>	<u>5,000</u>

See accompanying independent auditor's report.

City of Vinton

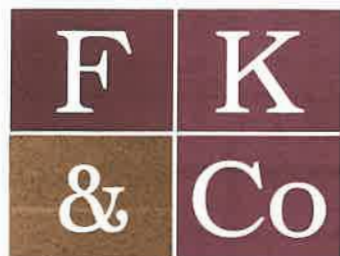
Schedule 4

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Receipts:										
Property tax	\$2,625,020	2,567,764	2,493,699	2,499,749	2,484,984	2,217,477	2,198,643	1,949,851	1,906,380	1,741,198
Tax increment financing	58,679	73,827	81,465	85,826	223,046	163,880	291,114	196,806	219,463	193,539
Other city tax	463,332	366,108	356,571	402,015	325,530	369,361	314,576	350,590	317,234	305,162
Licenses and permits	66,565	67,683	46,988	41,237	72,448	50,692	62,712	59,861	74,082	62,757
Use of money and property	43,971	65,687	27,927	38,292	34,602	81,217	79,026	69,556	41,092	26,479
Intergovernmental	1,024,365	1,052,879	1,563,520	897,282	786,882	1,163,187	1,107,613	791,942	1,427,033	1,579,660
Charges for service	68,480	105,886	123,204	116,541	126,310	106,604	114,900	119,533	449,486	681,110
Special assessments	5,040	-	-	275	11,057	12,214	17,994	19,785	22,118	18,276
Miscellaneous	920,758	482,687	550,038	494,129	453,181	631,223	794,067	1,211,848	109,281	140,222
Total	\$5,276,210	4,782,521	5,243,412	4,575,346	4,518,040	4,795,855	4,980,645	4,769,772	4,566,169	4,748,403
Disbursements:										
Operating:										
Public safety	\$1,236,782	1,238,847	1,149,295	1,145,098	1,003,315	911,518	1,065,982	1,166,782	876,443	800,008
Public works	977,253	883,300	772,278	934,793	701,033	1,151,274	1,207,558	961,928	1,096,695	803,130
Health and social services	30,682	27,772	28,929	51,002	31,123	32,820	36,317	15,898	30,978	31,986
Culture and recreation	1,162,410	1,285,246	994,723	924,941	953,315	885,270	1,198,102	925,864	913,989	893,606
Community and economic development	239,427	75,900	50,250	102,390	88,652	35,300	60,274	49,489	31,893	25,087
General government	504,904	491,576	559,916	416,715	399,191	394,589	366,880	422,523	722,020	428,031
Debt service	559,202	692,274	715,897	2,265,439	957,008	843,182	969,349	746,938	530,570	1,840,112
Capital projects	253,823	668,178	1,624,677	105,703	64,041	1,424,835	1,529,453	218,759	549,496	1,022,695
Total	\$4,964,483	5,363,093	5,895,965	5,946,081	4,197,678	5,678,788	6,433,915	4,508,181	4,752,084	5,844,655

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Vinton, Iowa (City) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 12, 2021. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the Vinton Municipal Electric Utility.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items I-A-20, I-B-20, I-D-20 and I-E-20 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items I-C-20 and I-F-20 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



FALLER, KINCHELOE & CO., PLC

July 12, 2021

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City of Vinton (City) financial statements.

Condition – Generally, two or three individuals have control over each of the following areas for the City:

- (1) Cash – preparing bank account reconciliations, cash receipt and disbursement functions and handling and recording cash. There is no independent review of the bank reconciliations.
- (2) Receipts – collecting, depositing, recording and posting. The initial listing is not reviewed by an independent person.
- (3) Disbursements – purchasing, check preparation, signing, recording and posting.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Long-term debt – recordkeeping and reviewing compensated absences records. Compensated absences are not reviewed by an independent person.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The City will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

I-B-20 Preparation of Financial Statements

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

City of Vinton

Schedule of Findings

Year ended June 30, 2020

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response - These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with an other comprehensive basis of accounting.

Conclusion - Response acknowledged.

I-C-20 Chart of Accounts

Criteria - An effective internal control system provides for internal controls related to accurate and complete financial reporting.

Condition - The City has not fully implemented the recommended Uniform Chart of Accounts for Iowa City Governments approved by the City Finance Committee.

Cause - City policies and procedures have not been established to require the use of the Uniform Chart of Accounts.

Effect - Not using a uniform chart of accounts could result in inaccurate or incomplete financial reporting.

Recommendation - To provide better financial information and control, the City should establish policies and procedures to require the use of the recommended Uniform Chart of Accounts, or its equivalent.

Response - We will implement this recommendation.

Conclusion - Response acknowledged.

I-D-20 Accounting Records

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

City of Vinton

Schedule of Findings

Year ended June 30, 2020

Condition – Receivable and liability amounts are recorded on the accounting system, even though the City is on a cash basis. Adjustments were subsequently made to properly record these amounts in the financial statements.

Cause – City policies do not require and procedures have not been established to provide for an independent review of the financial statements to ensure the City's financial statements are accurate.

Effect – Lack of City policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions. As a result, adjustments to the City's financial statements were necessary.

Recommendation – The City should establish procedures to ensure all receipts and disbursements are properly recorded and reported in the City's cash basis of accounting financial statements.

Response – The City will attempt to implement these changes to our accounting system.

Conclusion – Response acknowledged.

I-E-20 Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts and investments.

Condition – Although bank reconciliations are performed monthly, differences were noted between the bank and investment account balances recorded on the bank reconciliations compared to the bank and investment account balances as recorded on the accounting system.

Cause – City policies do not require and procedures have not been established to ensure bank and investment account balances are reconciled monthly to the book balances recorded on the accounting system.

Effect – Lack of performing a comparison of book balances with the bank reconciliation balances could result in undetected errors or unauthorized activity.

Recommendation – To improve financial accountability and control, monthly bank and investment account balances should be reconciled to book balances and variances between book and bank balances should be investigated and resolved timely.

Response – We will review our procedures to ensure our bank reconciliations are accurately completed.

Conclusion – Response acknowledged.

I-F-20 Meter Deposits

Criteria - An effective internal control system provides for internal controls related to reconciling the dollar amount of meter deposits on hand with the dollar amount of cash recorded in the meter deposit fund.

Condition – The dollar amount of meter deposits on hand, by customer, does not materially agree to the dollar amount of cash recorded in the meter deposit fund.

City of Vinton

Schedule of Findings

Year ended June 30, 2020

Cause – Policies and procedures have not been implemented to ensure the dollar amount of meter deposits on hand agree to the amount of cash recorded in the meter deposit fund.

Effect – This condition could result in unrecorded, misstated, improper or unauthorized adjustments to the meter deposit amounts.

Recommendation – The City should implement procedures to ensure the dollar amount of meter deposits on hand, by customer, agree to the dollar amount of cash recorded in the meter deposit fund.

Response – The City will ensure this recommendation is implemented.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Vinton

Schedule of Findings

Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

II-A-20 Certified Budget – Disbursements during the year ended June 30, 2020 did not exceed the amounts budgeted. However, we noted that the ending fund balance on budget amendment number 1 did not agree to the beginning fund balance as documented on budget amendment number 2. In addition, the ending fund balance on budget amendment number 2 did not agree to the beginning fund balance on budget amendment number 3.

Recommendation – The City should implement procedures to ensure the beginning fund balances on a budget amendment agree to the ending fund balances on the previous budget.

Response – This was an oversight on our part and will be corrected in the future.

Conclusion – Response acknowledged.

II-B-20 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-20 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-20 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
F. Ronald Elwick, City Council member, Employee of Elwick Electric, Inc.	Repairs/Maintenance	\$1,519
Nate Edwards, City Council member, Employee of Edwards Plumbing and Heating	Repairs/Maintenance	978

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the above companies do not appear to represent a conflict of interest since the total transactions were less than \$6,000 during the fiscal year.

II-E-20 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

City of Vinton

Schedule of Findings

Year ended June 30, 2020

- II-G-20 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not, except for two disbursements out of fifty tested which were paid by the City but were not approved by the City Council, as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should implement procedures to ensure all paid claims are approved by the City Council, as required by Chapter 372.13(6) of the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-H-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- II-I-20 Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.

- II-J-20 Contractor Payments – Federal regulations require that costs incurred and paid do not exceed the contracted amount. As of June 30, 2020, the City paid the construction contractor \$68,158 more than the sum of the original contract amount plus change orders.

Recommendation – The City should implement procedures to ensure contract terms are followed for the contract between the City and the contractor.

Response – We will implement this recommendation in the future.

Conclusion – Response acknowledged.

- II-K-20 Vinton Fireman's Association – The Vinton Fireman's Association (Association) is a separate non-profit organization. The Association has not filed information returns with the Internal Revenue Service (IRS) in several years. As a result, the IRS could fine the Association \$20 per day for every day the filing is late and/or revoke the non-profit status of the Association.

Recommendation – The Association should work with the IRS to resolve the non-filing of the information returns.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-L-20 Meal Reimbursement – The City pays its fire personnel \$57 per day for meals when they are out of town overnight for training. The City does not receive documentation from the fire personnel as to the actual cost of meals while out of town for training. As a result, this is not an accountable plan, and these amounts paid to fire personnel should be reported on the individuals W2, with all applicable taxes withheld in accordance with Internal Revenue Service (IRS) requirements.

Recommendation – The City should implement procedures to ensure all IRS requirements are followed in relation to meal reimbursements paid to fire personnel.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

City of Vinton

Schedule of Findings

Year ended June 30, 2020

II-M-20 Financial Condition – The Enterprise, Airport Fund had a deficit balance of \$25,642 at June, 30, 2020.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – This will be implemented in fiscal year 2021.

Conclusion – Response acknowledged.

II-N-20 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

We noted the following related to the City's TIF balances and procedures:

- During the year, the City made total transfers of \$59,643 from the Special Revenue, Urban Renewal Tax Increment Fund to the Capital Projects Fund. The City could not locate supporting documentation for \$5,143 of this \$59,643 transfer. As a result, we were unable to determine the propriety of the \$5,143 transfer amount.
- Bank interest amounts credited to the Special Revenue, Urban Renewal Tax Increment Fund were not decertified to the County Auditor for the amounts recorded in the fund, as required by the Code of Iowa.
- Based on the City's TIF certifications to the Benton County Auditor, the County Auditor plans to pay the City in excess of \$1.0 million in tax increment financing funds in the future. However, the City has only identified approximately \$70,000 in TIF obligations as of June 30, 2020. City personnel could not explain why they certified an amount in excess of known TIF obligations.

Recommendation – The City should consult TIF legal counsel to determine the disposition of these issues. The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa.

Response – The City will consult TIF legal counsel, make corrections to the TIF certification and ensure the future certifications are in compliance with the Code of Iowa requirements.

Conclusion – Response acknowledged.

II-O-20 Disbursement Approval - The City Council approves some disbursements at each meeting after the invoices have been paid. However, there is no policy on the conditions which must be met for an invoice to be paid prior to the City Council meeting.

Recommendation – The City should adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by policy.

City of Vinton

Schedule of Findings

Year ended June 30, 2020

Response – We are now paying our invoices twice a month, after approval by the City Council. However, we still do pay a few invoices prior to the City Council approval, and we will develop a policy on the payment of these invoices prior to City Council approval.

Conclusion – Response acknowledged.

- II-P-20 Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures..." The City's Annual Financial Report reported cash, receipts, disbursements and debt amounts which do not agree with the City's records.

Recommendation – The City should ensure all amounts included in future Annual Financial Reports are supported by the amounts recorded in the City's records.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-Q-20 Lease-Purchase Agreement - For a police car lease-purchase agreement, the City did not publish a notice of intended action, as required by Chapters 384.25 and 362.3 of the Code of Iowa.

Recommendation – The City should ensure the Code of Iowa requirements are followed in relation to lease-purchase agreements.

Response – We will implement this recommendation in the future.

Conclusion – Response acknowledged.

- II-R-20 Ordinances – Chapter 380.7 of the Code of Iowa requires the City Clerk to publish a summary of all ordinances or the complete text of ordinances and amendments. The City currently publishes a notice that an ordinance has passed. Our review noted that it is questionable if what the City publishes for ordinances meets the intent of Chapter 380.7 of the Code of Iowa.

Recommendation – The City consult with the City Attorney to ensure compliance with Chapter 380.7 in relation to the publication of ordinances.

Response – We will consult with the City Attorney.

Conclusion – Response acknowledged.

- II-S-20 Notice of Public Hearing – On May 3, 2019, the City published notice of a public hearing for the Splash Pad project as required by Chapters 26.12 and 362.3 of the Code of Iowa. The notice indicated that the public hearing would be held on May 9, 2019. However, in the May 9, 2019 Council minutes there is no indication that a public hearing was held for the Splash Pad project, as required by Chapters 26.12 and 362.3 of the Code of Iowa. In addition, there was no evidence that a public hearing was held on the Splash Pad project subsequent to May 9, 2019.

Recommendation – Before entering into a contract for a public improvement with an estimated cost in excess of the competitive bid threshold, currently at \$139,000, the City Council should hold a public hearing and publish notice of the hearing at least four but not more than twenty days prior to the hearing as required by Chapters 26.12 and 362.3 of the Code of Iowa.

City of Vinton

Schedule of Findings

Year ended June 30, 2020

Response – We will publish the appropriate notices in the future, as required.

Conclusion – Response acknowledged.

- II-T-20 Annual Urban Renewal Report (AURR) – The AURR was approved and certified to the Iowa Department of Management on or before December 1. However, the amounts reported on the Levy Authority Summary Form on the AURR could not be supported by City records.

Recommendation - The City should ensure the amounts reported on the Levy Authority Summary Form are supported by the City's records.

Response – These items will be corrected on next year's report.

Conclusion – Response acknowledged.